GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:116
ANSWERED ON:07.12.2015
Foreign Trade Policy
Bharathi Mohan Shri R.K.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

a) whether the Government has announced a new Foreign Trade Policy (FTP) aiming to boost India's exports;
b) if so, the details thereof along with the main highlights of the new FTP;
c) whether the Government has identified certain constraints/issues concerning the said policy;
d) if so, the details thereof; and
e) the steps taken or being taken by the Government to address these constraints/issues?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE)
(SMT. NIRMALA SITHARAMAN)

a) to e): A Statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 116 FOR ANSWER ON 7TH DECEMBER, 2015 REGARDING "FOREIGN TRADE POLICY"
(a)&(b): The Government of India has announced a new Foreign Trade Policy for the period 2015-2020 on 1st April, 2015. Details of the Foreign Trade
Policy 2015-2020 are available at the website of the Directorate General of
Foreign Trade at http://dgft@gov.in. The highlights of the New Foreign
trade Policy are as under :
? Earlier there were 5 different schemes for rewarding merchandise exports with different kinds of duty scrips with varying conditions attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Exports from India Scheme (MEIS). Further, e-Commerce exports of certain specified employment creating sectors, made through courier or foreign post offices, have been supported under MEIS.

? Served from India Scheme has been replaced with Service Exports from India Scheme (SEIS) which would be available to notified services.

? Government has recognized two new towns, namely Visakhapatnam and Bhimavaram as " towns of Export Excellence".

? The new Foreign Trade Policy 2015-2020 is supportive of 'Make in India' and 'Digital India' programmes through steps like:

(i) Specific Export Obligation under Export Promotion Capital Goods (EPCG) scheme, in case capital goods are procured from indigenous manufacturers, has been reduced to 75% of the normal export obligation. This may help indigenous manufacturing industry of capital goods.

(ii) Under Merchandise Exports from India Scheme (MEIS), export items with high domestic content and value addition have generally been provided higher level of rewards.

(iii) All duty credit scrips issued under MEIS & SEIS and the goods imported against these scrips are fully transferable.

(IV) For reward schemes and duty exemption schemes, hard copies of applications and specified documents which were required to be submitted earlier have now been dispensed with.

(iv) Landing documents of export consignment as proof of notified market, can now be digitally uploaded as specified.

(v) There will be no need to submit copies of permanent records/ documents repeatedly with each application, once the same are uploaded in Exporter/Importer Profile.

(vi) For faster and paperless communication with various committees of DGFT, dedicated e-mail addresses have been provided for various Committees, e.g. Norms Committees, Exim Facilitation Committee, etc.

? The benefits of MEIS & SEIS have been extended to SEZs as well, which would give a new impetus to the development and growth

of SEZs and exports.
(c)to(e) : Yes. The Government has identified certain constraints/issues related to the export sector and has taken necessary steps. The details are as under :

(i) Widening the scope of MEIS by including more products, enhancing the reward rates, country coverage on the certain export products

In the light of the major challenges being faced by Indian exporters in the backdrop of the global economic slowdown, Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme(MEIS). This has been introduced through Public Notice No. 27 dated 14 th July 2015, Public Notice No. 28 dated 15th July 2015 and Public Notice No. 44 dated 29th October, 2015 issued by the Directorate General of Foreign Trade. The revision made through public notice No. 44, introduces 110 new tariff lines and increases rates or country coverage or both for 2228 existing tariff lines. The envisaged revenue outgo under this scheme has accordingly increased from Rs. 18000 crore to Rs. 21000 crore.

(ii) High transaction cost of exports

â€¢ To reduce the transaction cost of exports, number of mandatory documents required for exports and imports have been reduced to three (3) each for export and import. Earlier 7 documents were required for exports and 10 for imports. The saving in terms of cost and time associated with the dispensed documents would improve Ease of Doing Business in India.

â€¢ A number of IT initiatives have been introduced for providing secured online services to the exporters. These include facility for Online filing of documents/ applications, a simplified system for issuance of Importer Exporter Code (IEC) online and setting up of a Complaint Resolution System for resolution of EDI related issues. In addition, an online system has been put in place to resolve complaints received through public grievances portal of Department of Administrative Reforms & Public Grievances

(iii) High cost of export credit

The issue of high cost of credit to exporters was raised by stakeholders including Export Promotion Councils. Cabinet Committee on Economic Affairs has approved Interest Equalisation Scheme @ 3% per annum on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit w.e.f. 01.04.2015.

3. Bio Data of MP who has raised the question
? R K Bharathi Mohan (born 1951) is an Indian politician and Member of Parliament elected from Tamil Nadu. He is elected to the Lok Sabha from Mayiladuturai constituency as an Anna Dravida Munnetra Kazhagam candidate in 2014 election.
? He is member of Tamil Nadu Assembly from Thiruvidamarudur (State Assembly Constituency) during 2006-2011.
4. What is the Export −Import data of 'Goods' and 'Services' in the last three years?

? The Export −Import data of 'Goods' and 'Services' is as under:

Export-Import Data
Merchandise Goods (Amount in US$ Billions)
S.NO. Year Export Import Net
1. 2012-13 300.4 490.7 (-)190.3
2. 2013-14 312.6 450.1 (-)137.5
3. 2014-15 310.3 448.0 (-)137.7
4. 2015-16(till October) 154.3 232.1 (-) 77.8
Services (Amount in US$ Billions)
S.NO. Year Export Import Net
1. 2012-13 145.7 80.8 64.9
2. 2013-14 151.5 78.5 73
3. 2014-15 155.4 79.8 75.7

Goods & Services
(Amount in US$ Billions)
S.NO. Year Export Import Net
1. 2012-13 446.1 571.5 (-) 125.4
2. 2013-14 464.1 528.6 (-) 64.5
3. 2014-15 465.7 527.8 (-) 62.0

5. What is the layout of FTP?

It is divided in 9 chapters .Chapter-wise summary of Foreign Trade Policy is as under:

Chapters Particulars

Chapter-1 Legal Framework and Trade Facilitation

Chapter-2 General Provisions Regarding Imports & Exports

Chapter-3 Exports From India Schemes
Chapter-4 Duty Exemption/Remission Schemes

Chapter-5 Export Promotion Capital Goods(EPCG)
Scheme

Chapter-6 Export oriented units(EOUs), Electronics
Hardware Technology Parks(EHTPs), Software Technology Parks(STPs) and Bio-Technology Parks(BTPs)
Chapter-7 Deemed exports
Chapter-8 Quality Complaints and Trade Disputes
Chapter-9 Definitions

6. What are the major features of the FTP 2015-2020?

1. SIMPLIFICATION & MERGER OF REWARD SCHEMES

Export from India Schemes:

i. Merchandise Exports from India Scheme
(MEIS)

Merchandise Exports from India Scheme has replaced 5 different schemes of earlier FTP (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports which had varying conditions (sector specific or actual

user only) attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme. Notified goods exported to notified markets would be rewarded on realised FOB value of exports.

Country Groups:

Category A: Traditional Markets - European Union , USA, Canada.

Category B: Emerging & Focus Markets

Africa , Latin America and Mexico, CIS countries , Turkey and West Asian countries, ASEAN countries , Japan, South Korea, China, Taiwan,

Category C: Other Markets

ii. Products supported under MEIS Level of Support:
Higher rewards have been granted for the following category of products:

? Agricultural and Village industry products, presently covered under VKGUY.
? Value added and packaged products.
? Eco-friendly and green products that create wealth out of waste from agricultural and other waste products that generate additional income for the farmers, while improving the environment.
? Labour intensive Products with large employment potential and Products with large number of producers and /or exporters.
? Industrial Products from potential winning sectors.
? Hi-tech products with high export earning potential.

iii. Markets Supported

? Most Agricultural products supported across the Globe.
? Industrial and other products supported in Traditional and/or Emerging markets.

iv. Global support has been granted to the following category:

? Fruits, Flowers, vegetables
? Tea Coffee, Spices
? Cereals preparation, shellac, Essential oils
? Processed foods,
? Eco Friendly products that add value to waste
? Marine Products
? Handloom, Coir, Jute, products and Technical Textiles, Carpets Handmade. Other Textile and Readymade garments have been supported for European Union, USA, Canada and Japan.
? Handicraft, Sports Goods

? Furniture, wood articles

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v. Support to major markets have been given to the following product categories

? Pharmaceuticals, Herbals, Surgicals
? Industrial Machinery, IC Engine, Machine tools, Parts, Auto Components/Parts
? Hand Tools, Pumps of All Types
? Automobiles, Two wheelers, Bicycles, Ships, Planes
? Chemicals, Plastics
? Rubber, Ceramic and Glass
? Leather garments, saddlery items, footwear
? Steel furniture, Prefabs, Lighters
? Wood , Paper, Stationary
? iron, steel, and base metals, products

vi. Rewards for export of notified goods to notified markets under 'Merchandise
Exports from India Scheme (MEIS) are payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback.

vii. e-Commerce Exports

Goods falling in the category of handloom products, books / periodicals, leather footwear, toys and customized fashion garments, having FOB value up to Rs.25000 per consignment (finalized using e- Commerce platform) are eligible for benefits under FTP. Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.

Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of EDI mode at courier terminals.

2. Service Exports from India Scheme (SEIS)

â€¢ Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider.

â€¢ The rate of reward under SEIS are based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services / goods. Debits are eligible for CENVAT credit or drawback.

3. Incentives (MEIS & SEIS) to be available for SEZs

Incentives (MEIS & SEIS) are available to units located in SEZs also.

4. Duty credit scrips are freely transferable and usable for payment of custom duty, excise duty and service tax.

â€¢ All scrips issued under MEIS and SEIS and the goods imported against these scrips fully transferable.

â€¢ Scrips issued under Exports from India Schemes can be used for the following:-

(i) Payment of customs duty for import of inputs / goods including capital goods, except items listed in Appendix 3A.

(ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per DoR notification.

(iii) Payment of service tax on procurement of services as per DoR notification.

â€¢ Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

5. Status Holders

(a) Business leaders who have excelled in international trade and have successfully contributed to country's foreign trade are recognized as Status Holders and given special treatment and privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.

(b) The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate is changed to One, Two, Three, Four, Five Star Export House.

(c) The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The new criteria is as under:-

Status category Export Performance FOB / FOR (as converted) Value (in US $ million) during current and previous two years
One Star Export House 3

Two Star Export House 25
Three Star Export House 100
Four Star Export House 500
Five Star Export House 2000

7. What steps are taken to boost to "make in india" in the FTP

? BOOST TO "MAKE IN INDIA"

Reduced Export Obligation (EO) for domestic procurement under EPCG scheme:

â€¢ Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers, is reduced to 75%, in order to promote domestic capital goods manufacturing industry.

â€¢ Higher level of rewards under MEIS for export items with high domestic content and value addition.

â€¢ Higher level of rewards is given to products with high domestic content and value addition, as compared to products with high import content and less value addition.

8. What steps are taken for trade facilitation & ease of doing business

? TRADE FACILITATION & EASE OF DOING BUSINESS

Online filing of documents/ applications and Paperless trade in 24x7 environment:

â€¢ DGFT already provides facility of Online filing of various applications under FTP by the exporters/importers. However, certain documents like Certificates issued by Chartered Accountants/ Company Secretary/Cost Accountant etc. have to be filed in physical forms only. In order to move further towards paperless processing of reward schemes, it has been decided to develop an online procedure to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D
â€¢ Hard copies of applications and specified documents are not required to be submitted to RA, saving paper as well as cost and time for the exporters. To start with, applications under Chapter 3 & 4 of FTP are being covered (which account for nearly 70% of total applications in DGFT).

â€¢ As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded in the following manner:-

(i) Any exporter may upload the scanned copy of Bill of Entry under his digital signature.

(ii) Status holders falling in the category of Three Star, Four Star or Five Star Export House may upload scanned copies of documents.

9. What steps have been taken for Simplification of procedures/processes, digitisation and e-governance

? Simplification of procedures/processes, digitisation and e-governance

i. Under EPCG scheme, obtaining and submitting a certificate from an independent Chartered Engineer, confirming the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been dispensed with.

ii. EPCG Authorization Holders shall be required to maintain records for a period of two years only. Government's endeavour is to

gradually phase out this requirement as the relevant records such as Shipping Bills, e-BRC are likely to be available in electronic mode which can be archived and retrieved whenever required.

iii. Exporter Importer Profile: Facility has been created to upload documents in Exporter/Importer Profile. There will be no need to submit copies of permanent records/ documents (e.g. IEC, Manufacturing licence, RCMC, PAN, etc.) repeatedly with each application, once uploaded.

iv. Communication with Exporters/Importers: Certain information, like mobile number, e-mail address etc. has been added as mandatory fields, in IEC data base. This information once provided by exporters, would help in better communication with exporters. SMS/ email would be sent to exporters to inform them about issuance of authorisations or status of their applications.

v. Online message exchange with CBDT and MCA: It is decided to have on line message exchange with CBDT for PAN data and with Ministry of Corporate Affairs for CIN and DIN data. This integration would obviate the need for seeking information from IEC holders for subsequent amendments/ updation of data in IEC data base.

vi. Communication with Committees of DGFT: For faster and paperless communication with various committees of DGFT, dedicated e- mail addresses have been provided to each Norms Committee, Import Committee and Pre-Shipment Inspection Agency for faster communication.

vii. Online applications for refunds: Online filing of application for refund of TED is being introduced for which a new ANF has been created.

10. What steps are taken to resolve Quality complaints and Trade Disputes

? Quality complaints and Trade Disputes

i. In an endeavour to resolve quality complaints and trade disputes, between exporters and importers, a new chapter, namely, Chapter on Quality Complaints and Trade Disputes has been incorporated in the Foreign Trade Policy.

ii. For resolving such disputes at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is in 22 offices and would have members from EPCs/FIEOs/APEDA/EICs.

11. What are the measures taken by Government to boost the falling exports
from India ?

? The details of measures taken by Government to boost the falling exports from India are:
(i) New Foreign Trade Policy (2015-20) launched on 1st April, 2015 with a focus on supporting both manufacturing and services exports and improving the 'Ease of Doing Business'. The policy has introduced two new schemes, namely, 'Merchandise Exports from India Scheme'(MEIS) for incentivising export of specified goods to specified markets and 'Service Exports from India Scheme' (SEIS) for increasing exports of notified services from India, by consolidating earlier schemes.

(ii) By way of trade facilitation and enhancing the ease of doing business, Government reduced the number of mandatory documents required for exports and imports to three each, which is comparable with international benchmarks. The trade community can file applications online for various trade related schemes. Online
payment of application fees through Credit/Debit Cards and electronic fund transfer from 53 Banks has been put in place.

(iii) The Government has also expanded the coverage of Merchandise Exports from India scheme on 29th October, 2015 by adding 110 new items. The reward rates/country coverage of 2228 items were enhanced. Consequently the envisaged revenue outgo under the scheme was increased from Rs. 18,000/- crore earlier to Rs. 21,000/- crore per annum.

(iv) Government has infused additional Corpus (Capital) to the tune of Rs. 375/- crore into the National Export Insurance Account (NEIA), raising the corpus to over Rs. 2,100/- crore, and strengthen the capacity to augment Project exports from the country. The equity capital of ECGC Ltd. has also been raised by Rs. 50 crore to Rs. 1,300 crore, enabling higher underwriting capacity to support exporters to expand their business and support banks for adequate lending to exporters.

(v) Recently, the Government has approved the proposal for implementing the Interest Equalization Scheme on Pre & Post shipment Rupee Export Credit w.e.f. 1st April, 2015 for 5 years, incorporating an interest equalization element of 3% per annum. This scheme will facilitate access to export credit at competitive rate of interest, given the lower interest rate level prevailing for exporters in other countries. .

(vi) The State Governments have been requested to develop their export strategy, appoint export commissioners, address infrastructure constraints restricting movement of goods, facilitate refund of VAT/Octroi/State level cess, and address other issues relating to various clearances etc. and build capacity of new exporters, in order to promote exports.
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